

APPENDIX E

FINANCIAL MANAGEMENT

GENERAL.

The financial planning and management of the armed services begins with the Planning, Programming, Budgeting and Execution System (PPBES) that was established by the Department of Defense in the early 1960's. The objective of this system is to articulate the strategy, size, structure and equip the military force, set programming priorities, allocate resources and ensure readiness of the total force.

PPBES is an evolutionary process rather than a static system. While a single PPBES cycle is theoretically divided into three distinct phases for planning, programming and budgeting, the reality of the process is far more complex. The length of a single cycle is such that at least three separate cycles run concurrently at all times.

Generally speaking, the operations planners of each service are responsible for the planning phase and for providing resource allocation priorities as guidance to program and appropriation directors.

Programming is the responsibility of the program analysis and review activity of each service. This activity provides the interface between the military staff and the secretariat of the each service.

Budgeting and manipulation of funds is the responsibility of the comptroller of each of the services.

Various senior level committees within each of the services are responsible for influencing and evaluating PPBES. These committees determine how each service will configure forces, resources and missions to meet Defense Guidance, and how resources will be allocated and suballocated to achieve desired configurations.

The Defense portion of the President's Budget is formulated by the above process. Authorizations and appropriations by Congress are based on review of the President's Budget, and upon many detailed reviews preceding its actual formulation.

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Other funds in the services that are not appropriated by the Congress are generated by the following sources:

- a. Surcharges made upon, and fees collected from, goods and services purchased by service members and their families.
- b. Deduction of housing allowance funds from pay in exchange for service-provided housing.
- c. Contributions.
- d. Dues paid for membership in various service clubs.
- e. Donations made to activities such as organizational associations or museums.
- f. Reimbursements and penalty payments.
- g. Foreign Military Sales.

Appropriated funding flows from the General Fund to the services. The services apportion these funds to their major commands and functions based on earlier budgetary justification and planning. Certain of these funds are "fenced" by Congress and may be applied only to certain programs. MILCON and associated Planning and Design, represent "fenced" programs. Funds may not be spent for other purposes. However, appropriations for many other programs are more flexible, and may be moved by the services from one sub-program to another based on mission exigencies and changes in Defense posture.

Funding flow within the services is generally from higher headquarters to lower, with specified amounts of discretionary management authority delegated to each level. Some programs retain a portion of the total amount at higher headquarters to meet management expenses, fund special actions, meet unforeseen requirements, or offer incentives to encourage funding from other sources.

BASOPS AND REAL PROPERTY MAINTENANCE FUNDS.

The real property maintenance activities (RPMA) program is big business, consuming approximately 51 percent of an average installation's base operations (BASOPS) budget. In the Army, worldwide RPMA involves the maintenance of over 1 billion square feet of building space and acreage equivalent to that of the combined areas of Connecticut, Massachusetts and Rhode Island.

RPMA funding accounts include categories for operation of utilities, maintenance and repair of real property, minor construction, and engineering support. The engineering support category accounts for the majority of funds sent by installations to Corps of Engineers districts for various services.

Most of the dollars to finance these functions come from the operations and maintenance (O&M) appropriations of each service. In addition to these direct dollars, reimbursable funds are earned by providing RPMA services to certain customers, the largest of which is the family housing appropriation.

Measurements used to manage the RPMA account include the Annual Recurring Requirements (ARR) which is the annual amount of money needed to sustain and preserve real property to adequately support assigned missions. Another measurement is the Backlog of Maintenance and Repair (BMAR) that records the amount of maintenance and repair work remaining at the end of the fiscal year. Deferred maintenance and repair is a similar measure applied to family housing facilities.

DEH / BCE FUNDING RELATIONSHIPS.

DEH/BCE and USACE funding for other-than-MILCON support is handled in two general ways. The most common method is for the supported installation to send Operations and Maintenance dollars to USACE divisions or districts for specific services. Documents used to transmit funds from installations to USACE subordinate commands are called Intra-Army Orders (IAO) for reimbursable services, and are processed through comptroller, or resource management channels. This method depends upon programming and budgetary planning by the supported installation and its major command. Although Operations and Maintenance funds are "earmarked" specifically for various programs at Departmental Headquarters, amounts may be transferred between programs to meet other expenses at the installation. Therefore, the DEH/BCE must play actively in the installation budget process to ensure retention of facilities engineering funds, including those used to purchase USACE support.

A second, more limited, method is HQUSACE-managed and distributed operations and maintenance funds "earmarked" for specific programs. Documents transmitting these funds from HQUSACE to divisions and districts are called Funding Authorization Documents (FADS). Services provided by to installations are totally or partially nonreimbursable when this method is used.

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The installation support program at operating subordinate commands receives a modest amount of nonreimbursable funding to initiate projects and provide immediate response to requests for support. Real estate business operations, master planning, mobilization master planning and installation support books for Army installations are other programs that are partially, or totally, funded by nonreimbursable means. It is essential that division and district engineers inform supported installations of these funds, and encourage DEH/BCE participation in the budget formulation process.